

LOCAL CHILD
SUPPORT
INCENTIVE
DISTRIBUTION
PROCESS
FORMULA FOR
THE STATE OF
MICHIGAN (EFF 10/
1/88)

Definitions

ADC Collections. Money which is assigned to a state agency providing assistance under Title IV-A of the Social Security Act (Aid to Families with Dependent Children), paid under a support order and forwarded by a friend of the court pursuant to the requirements of Title IV-D of the Social Security Act. The net amount includes tax offsets and is as received and accounted for by the state plus the ADC collections made for other states as reported by friends of the court.

Non-ADC IV-D Collections. Money which has not been assigned to an agency providing assistance under Title IV-A of the Social Security Act, paid under a support order and forwarded by a friend of the court to and on behalf of families to satisfy support obligations. The recipient of the money must have signed an application or be otherwise eligible for services under Title IV-D (Child Support Enforcement) of the Social Security Act. The net amount is as reported by the friend of the court.

Where Cooperative Reimbursement contracts and Friend of the Court reports cover more than one county, the amounts allocated to individual counties will be based on net ADC collections received and accounted for by the state.

Administrative Program Costs. Expenditures (less fees) for costs of administering and carrying out the functions of Title IV-D of the Social Security Act. (For purposes of this process, paternity blood testing costs are excluded). Amounts are the total county and state cooperative reimbursement contract expenditure approval for payment.

State IV-D Agency. That unit of state government which is responsible for federal interpretation for administering and implementing Title IV-D of the Social Security Act. In Michigan the designated agency is the Office of Child Support (OCS), Michigan Family Independence Agency (FIA).

County. Local unit of government responsible for appropriating funds for activities by friends of the court and prosecuting attorneys for child support enforcement and collections. For purposes of the process, also includes the state court administrative system on behalf of the Third Judicial Circuit.

Available State Incentive Amount. The total of the quarterly amounts authorized by the federal government to the Family Independence Agency as "Incentive Payments to State and Localities." The amount is subject to subsequent adjustment by the federal government and is subject to appropriation by the state legislature. The amount distributed to each county is affected by audit adjustments, deductions for federal and state tax intercept costs and adjustments due to amended non-ADC tax returns.

Provider Agencies. Offices of the Friend of the Court, Circuit Court and Prosecuting Attorney who perform child support establishment, enforcement and collection activities pursuant to contract or otherwise and in accordance with Title IV-D of the Social Security Act.

Interstate Support. ADC or non-ADC collections paid and distributed under a Michigan support order entered for a child residing in another state by request of an agency authorized in that state to provide services under Title IV-D of the Social Security Act.

Fiscal Year. State and federal and administrative time period from October 1 of each year through September 30 of the next year. Commonly divided into quarters October 1 through December 31, January 1 through March 31, and April 1 through June 30, and July 1 through September 30.

Legal Base

Sec. 458 of the Social Security Act as amended by PL 98-378
45 CFR 303.52

Previous (up to 9/30/85) Method of Incentive Distribution. Incentive payments were calculated by FIA monthly in the amount of 12% of ADC collections submitted to the state by friends of the court. These payments by FIA were made monthly to each county.

New Requirements (effective 10/1/85)

1. The federal government calculates incentives payable to the state as a whole based on ratios of: 1) Statewide ADC collections compared to total (statewide ADC and non-ADC) administrative program costs and total administrative program costs. These ratios are translated by a table to an ADC incentive percent and a non-ADC incentive percent. The percentages are then applied to the respective reported collections to obtain the incentive payment amounts. This ties incentives to a cost benefit ratio of statewide collections to statewide program costs.

2. Effective 10/1/85 the state will receive incentive payments from the federal government in the manner of and subject to the provisions described below:

	Ratio of Collections to Total IV-D, Administrative Costs	Percent of Collection Paid as Incentive	
	Collections	to Costs	= %
less than	1.4	to 1:	6.0
at least	1.4	"	6.5
" "	1.6	"	7.0
" "	1.8	"	7.5
" "	2.0	"	8.0
" "	2.2	"	8.5
" "	2.4	"	9.0
" "	2.6	"	9.5
" "	2.8	"	10.0

- a. The above formula is applied to ADC and non-ADC collections separately.
- b. Incentive amount for: Non-ADC collection/total cost ratio is capped based on incentive amount for ADC collections. The maximum allowed for non-ADC incentive is: 100% of ADC incentive for FY's 1986 and 1987, 105% of ADC incentive for FY 1988, 110% of ADC incentive for FY 1989 and 115% of ADC incentive for FY 1990 and thereafter.
- c. Each local governmental unit (e.g., county) participating financially in child support enforcement and collection processes which is under contract with FIA is entitled to receive a share of the state incentive payment. The state IV-D agency must develop a standard methodology for incentive distribution to local units of government. the methodology is to take into account the efficiency and effectiveness of the activities carried out by or through the local governmental unit.

Description of Process

This descriptions is to identify the process by which incentive payments for support activities made to this state by the federal government will be distributed to county governments. Such distribution is intended to encourage county governments to be supportive of efficient and effective funding of local child support enforcement and collection activities. Under the process, counties are rewarded proportionately as collections increase in proportion to costs. The process is as follows:

1. The total incentive amount available for distribution to counties is divided between ADC and non-ADC in the same ratio as set by the federal incentive formula (For FY 1988/89 the federal payment for non-ADC incentive shall not exceed the ADC incentive payment by more than 110% and for state FY 1989/90 and thereafter the federal payment for non-ADC incentive shall not exceed the ADC incentive payment by more than 115%.)
2. For each county net ADC collections are divided by total costs to get an ADC collection/cost ratio. This ratio is converted to a percent using the following modification of federal formula $[(\text{ratio} \times 7) / 5] + 3$ capped at 10%.

This formula reflects Michigan's county collection/cost ratio relationship to the federal state collection/cost ratio. It converts from a federal high of $2.8 = 10\%$ to a state high of $5 = 10\%$ and stratifies the counties, based on fiscal year 1987 collections and costs, from a high of 10% (\$5.04 collected for each \$ spent) to a low of 3.81% (\$.58 collected for each \$ spent).

3. Each county net ADC collections are multiplied by the percent calculated for each county to get a target ADC incentive.
4. Each county net ADC collections are multiplied by 5% to get a minimum ADC incentive. (A minimum incentive payment helps the counties estimate income for budgetary purposes. The 5% minimum will establish a base and allow remaining funds to be distributed based on efficiency and effectiveness.)
5. The ADC incentive remaining after distribution of the minimum incentive is then distributed to each county so that all counties receive an appropriate share of their target incentive and all ADC incentives are distributed. This distribution reflects the benefit of higher collection/cost ratios.
6. For each county net non-ADC collections are divided by total costs to get a non-ADC collection/cost ratio. This ratio is then converted to a percent using the same formula as for ADC incentive (2. above).
7. For each county non-ADC collections are distributed using the same procedure as used for ADC (3-5 above). This distribution methodology recognizes non-ADC ratios and collection efforts above the 110% (FY 89) or 115% (FY 90) of ADC as limited by the federal formula. It reflects a limited but significant incentive to increase non-ADC collections.